



# COMMISSION ON INSURANCE

## COUNTY OF LOS ANGELES

Scott J. Svonkin  
**Chairperson**

Daniel Falcon  
**Vice-Chairperson**

Barry R. Binder  
Glenn S. Brown  
William K. Callagy  
Michael G. Cheung  
Don Lee  
Curren D. Price, Jr.  
Patricia Torres

### MINUTES

Meeting of September 14, 2005  
Kenneth Hahn Hall of Administration, Departments Room 383  
500 West Temple Street  
Los Angeles, CA 90012

**Commissioners Present:** Glenn Brown, William Callagy, Michael Cheung, Dan Falcon, Curren Price, Jr., Scott Svonkin and Patricia Torres

**Commissioners Absent:** Barry Binder and Don Lee

### CALL TO ORDER

Chairperson Svonkin called the meeting to order at 10:21 a.m.

### APPROVAL OF JULY 20, 2005 MEETING MINUTES

On motion of Vice Chairperson Falcon, seconded by Commissioner Brown the minutes of July 20, 2005 were approved as submitted.

### CHAIRPERSON'S REPORT

Chairperson Svonkin reported that the Sunset Review is being prepared which is due in December 2005. In addition, the Commission can offer lessons learned from the Northridge earthquake to its Gulf State counterparts that help consumers in the affected states. Most of the affected residential areas that in fact were devastated/leveled are more easily proven as insurable; however, houses with minimal damage, or with dry rot or fungus will be more difficult to prove as insurable. Commissioner Callagy concurred and noted that litigation will certainly ensue in the Gulf States.

Chairperson Svonkin thanked Twila Kerr for her staff support during Lee Millen's extended absence due to illness.

### STAFF REPORT

Staff reported the following:

- Contacted Mike Hauben, State Insurance Commission, and he recommended Karen Switzer, State Licensing Board, as a contact; she has been asked to provide a list of insurance agents in the County which should be available in two weeks; and

- Legislative bills are provided for the Commissions review.

Chairperson Svonkin noted that the goal has been to identify opportunities to improve access to insurance agents in underserved areas. The data to be received from the list can help identify how many underserved areas exist, and insurance agents can be invited to testify regarding their service provided and how the Commission can assist them.

#### **DISCUSSION ON ISSUES AND OPTIONS FOR GOVERNMENT INTERVENTION IN THE MARKET FOR TERRORISM INSURANCE, AND STUDY CALLS FOR BROADENING U.S. TERROR COVERAGE**

Commissioner Brown distributed a report (copy on file) on the Federal Terrorism Risk Insurance Act (TRIA) that was enacted following the September 11, 2001 terrorist attack. The purpose of the Act was to provide a safety net for the insurance industry in the event of a second similar attack; however, the Secretary of the Treasury has said that unless significant changes in the current TRIA are made, it will sunset on December 31, 2005.

The County can take the lead to convene a focus group with both public and private self-insured agencies to create a pool of monies that could in a relatively short time offer a measure of protection in the event of a disaster on the level of 9/11 that would inevitably cripple the local economy.

#### **PRESENTATION ON TERRORISM INSURANCE COVERAGE IN THE COUNTY OF LOS ANGELES**

Rocky Armfield, Risk Management, CAO, reported that there are four policy coverages purchased for the County: The American International Group Company (AIG) provides a \$25 million limit coverage subject to a \$50,000 Self Insured Retention (SIR) deductible at a cost of \$325 thousand; a \$150 million fine arts program policy subject to a \$10,000 SIR deductible covers county owned objects for a premium of about \$4,000; excess liability coverage for the health facilities is a \$95 million policy in excess of the first \$5 million SIR deductible provided by AIG for a premium of \$8,000; and a fiduciary liability policy covers county employees and the Board of Supervisors with a \$20 million limit subject to a \$150,000 SIR deductible provided by AIG for a premium of \$5,500. The County does not have workers' compensation coverage.

(Commissioner Cheung joined the meeting at 10:38 a.m.)

In response to Chairperson Svonkin, Mr. Armfield advised that Risk Management has been tracking the TRIA sunset issue. The Risk and Insurance Management Society, the largest group of public/private risk management agencies in the world, has reported that they have hired lobbyists to address the TRIA concern. Also, the County has met with counterparts in the industry about sharing the risk of liability coverage and all

parties have expressed an interest on the subject. Further, the last evaluation of workers' compensation in the County was in June 2004, and that actuarial report estimated the County's outstanding liability for compensation at \$2.3 billion in the event of a similar 9/11 attack. A list of likely terrorist targets exists and county buildings are in close proximity to them; in the event of a number of deaths the exposure to the taxpayer would be exorbitant.

In response to Commissioner Brown, Mr. Armfield noted that the County has not taken a position on the sunset of TRIA; however, the Commission can recommend an extension of TRIA to the Board of Supervisors. A renewal of TRIA for two years would be ideal in that it would allow a pool of coverage to develop among insurance agencies. Further, it is an opportune time to approach the market to obtain excess coverage, particularly in the workers' compensation arena.

Commissioner Brown noted that other entities outside the public sector such as Fortune 1000 and 100 companies can be asked to pay into a pool of funds to prepare in the event of a similar 9/11 disaster. A conference he attended in September 2005 hosted by the Center for Risk & Economic Analysis of Terrorism Events (CREATE) at USC, confirmed the high risk involved in the event of terrorist attack.

Mr. Armfield noted that state laws provide for some cross over of governmental agencies that would allow for a specific pool to be paid into to help minimize the risk; the actuary would have to determine how much of a premium would be charged. The County has about \$250 million in coverage per terrorist action, which is minimal coverage in the event of a major attack.

### **MOTION**

On motion of Commissioner Brown, seconded by Commissioner Price and duly carried (Commissioner Torres abstained), the Commission will recommend to the Board of Supervisors that they support the extension of TRIA for a minimum of two years. The CAO's Legislative Office will be asked to review and support this recommendation.

Commissioner Brown suggested that a representative from the RAND Corp. and CREATE be invited to present at the November 16, 2005 meeting. Chairperson Svonkin noted that following a series of discussions by experts on this issue that confirm the need for a public/private solution to address this need, the Board of Supervisors could be asked to work with the State Legislators to initiate a safety net in the event of a terrorist attack.

Commissioner Price commended Commissioner Brown on his foresight in providing the Commission with insight into this critical and potential problem. Chairperson Svonkin concurred and also thanked Mr. Armfield for his informative presentation.

### **UPDATE ON PENDING LEGISLATION**

Staff reported that the CAO's Intergovernmental Relations Office has advised that five of the six Commission recommendations on proposed legislation are in accordance with Board policy. A Board letter can be drafted for AB 73 (Frommer, Chan), AB 75 (Frommer, Chan), AB 624 (Montanez), SB 20 (Escutia) and SB 23 (Migden). Chairperson Svonkin noted that some bills have been signed by the Governor; however, any two-year bills could be supported; he will work with Staff on the draft.

### **COMMITTEE AND TASK FORCE UPDATES AND PLANNING**

- **Workers Compensation**

Commissioner Callagy reported that the County is spending \$1 million per day on workers' compensation on a self-insured program, and Supervisor Antonovich has asked in writing that the Commission review the program. Chairperson Svonkin suggested that the Commission hear from the Head of the Workers' Compensation County program staff in January 2006. Following discussion, Commissioner Callagy was asked to prepare specific questions on this issue. Commissioner Torres suggested that the Board Deputy that handles this area could be asked to identify Supervisor Antonovich's concerns.

Vice Chairperson Falcon suggested that the Workers' Compensation staff could be forwarded the questions of concern and asked to provide a written response on the issue in advance of their presentation; this would serve as a primer for the January 2006 Commission meeting.

Commissioner Brown agreed to serve on the Workers' Compensation Committee and assist Commissioner Callagy in the preparation of the questions.

### **PUBLIC COMMENT**

Julia Cooksey, State Farm, Director of Public Affairs in Los Angeles County, introduced herself.

### **ADJOURNMENT**

There being no further business, the meeting was adjourned at 11:29 a.m.

**ATTENDANCE**

**Staff**

Twila P. Kerr, Executive Office, Board of Supervisors

**Guests**

Rocky Armfield, Risk Management, CAO  
Julia Cooksey, State Farm, Director of Public Affairs